

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Michigan 34th District Court</u>	County: Wayne
Audit Date June 30, 2004	Opinion Date October 8, 2004	Date Accountant Report Submitted To State: December 9, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): Plante & Moran, PLLC			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48034
Accountant Signature 			

Michigan 34th District Court

Financial Report with Supplemental Information June 30, 2004

Michigan 34th District Court

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Independent Auditor's Report

To the Judges of the State of
Michigan 34th Judicial District Court

We have audited the accompanying financial statements of the governmental activities, the General Fund, and the fiduciary funds information of the Michigan 34th District Court, which collectively comprise the Court's basic financial statements as of and for the year ended June 30, 2004. These financial statements are the responsibility of the Michigan 34th District Court's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund, and the fiduciary funds information of the Michigan 34th District Court, and the respective changes in financial position thereof for the year ended June 30, 2004, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule as identified in the table of contents is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Court's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

To the Judges of the State of
Michigan 34th Judicial District Court

As described in Note I, the Court has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of July 1, 2003. As a result, these financial statements present entirely new financial information. Governmental activities report information by individually significant fund, as well as in total on the full accrual basis of accounting.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Plante & Moran, PLLC

October 8, 2004

Michigan 34th District Court

Governmental Fund Balance Sheet/Statement of Net Assets June 30, 2004

	General Fund - Modified Accrual Basis	GASB No. 34 Adjustments (Note 2)	Statement of Net Assets - Full Accrual Basis
Assets			
Cash and cash equivalents (Note 3)	\$ 37,835	\$ -	\$ 37,835
Due from Agency Funds	20,052	-	20,052
Prepaid expenses and other assets	46,934	-	46,934
Due from other local governmental units	-	114,159	114,159
	<u>-</u>	<u>114,159</u>	<u>114,159</u>
Total assets	<u>\$ 104,821</u>	<u>\$ 114,159</u>	<u>\$ 218,980</u>
Liabilities			
Accounts payable	\$ 32,655	\$ -	\$ 32,655
Due to other local governmental units	30,058	-	30,058
Salary withholdings, accrued payroll, and payroll taxes payable	42,108	-	42,108
Compensated absences due within one year	-	101,064	101,064
Compensated absences due in more than one year	-	13,095	13,095
	<u>-</u>	<u>13,095</u>	<u>13,095</u>
Total liabilities	<u>\$ 104,821</u>	<u>\$ 114,159</u>	<u>\$ 218,980</u>
Net Assets - Unrestricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Michigan 34th District Court

Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2004

	General Fund - Modified Accrual Basis	GASB No. 34 Adjustments (Note 2)	Statement of Activities - Full Accrual Basis
Revenue			
Operating transfer from the City of Romulus	\$ 2,670,000	\$ 6,862	\$ 2,676,862
Other revenue	<u>162,890</u>	<u>-</u>	<u>162,890</u>
Total revenue	2,832,890	6,862	2,839,752
Expenditures			
Salaries and wages	1,708,411	-	1,708,411
Fringe benefits	632,006	6,862	638,868
Attorney fees	46,525	-	46,525
Professional fees and contractual services	100,959	-	100,959
Education and training	11,440	-	11,440
Dues, fees, and subscriptions	48,587	-	48,587
Building insurance, maintenance, and utilities	51,618	-	51,618
Equipment lease and maintenance	18,944	-	18,944
Furniture and equipment	6,359	-	6,359
Jury and witness fees	8,339	-	8,339
Reference material	6,652	-	6,652
Work program	2,390	-	2,390
Printing	27,120	-	27,120
Computer equipment and software	32,514	-	32,514
Supplies	35,710	-	35,710
Telephone	27,187	-	27,187
Travel	203	-	203
Reinstated bond	3,550	-	3,550
Postage	<u>28,427</u>	<u>-</u>	<u>28,427</u>
Total expenditures	<u>2,796,941</u>	<u>6,862</u>	<u>2,803,803</u>
Excess of Revenue Over Expenditures/Change in Net Assets - Before transfer to the City of Romulus	35,949	-	35,949
Transfer to the City of Romulus	<u>(35,949)</u>	<u>-</u>	<u>(35,949)</u>
Excess of Revenue Over Expenditures	-	-	-
Fund Balance/Net Assets - Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance/Net Assets - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Michigan 34th District Court

Fiduciary Funds Statement of Assets and Liabilities June 30, 2004

	Agency Funds	
	Depository	Bond
Assets		
Cash and cash equivalents (Note 3)	\$ (195,831)	\$ 20,742
Investments (Note 3)	<u>810,659</u>	<u>76,909</u>
Total assets	<u>\$ 614,828</u>	<u>\$ 97,651</u>
Liabilities		
Due to General Fund	\$ 20,052	\$ -
Due to other local governmental units	392,495	869
Due to State of Michigan	125,822	-
Due to Wayne County	70,900	-
Appearance bonds payable	-	96,782
Due to others	<u>5,559</u>	<u>-</u>
Total liabilities	<u>\$ 614,828</u>	<u>\$ 97,651</u>

Michigan 34th District Court

**Notes to Financial Statements
June 30, 2004**

Michigan 34th District Court

Notes to Financial Statements June 30, 2004

Note I - Summary of Significant Accounting Policies

The accounting policies of the Michigan 34th District Court (the "Court") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Court:

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. One of the significant changes in the statement includes the financial statements being prepared using full accrual accounting for the Court as a whole. This and other changes are reflected in the accompanying financial statements (including notes to the financial statements).

Reporting Entity

The Court is reported as a joint venture in the Cities of Romulus and Belleville, and the Townships of Sumpter, Van Buren, and Huron, Michigan's basic financial statements. Based on the significance of any operational or financial relationships with the Court, there are no component units to be included in the Court's financial report.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Court's basic financial statements include both the Court's full accrual financial statements and modified accrual financial statements.

Full Accrual Financial Statements

The full accrual financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, which is described below.

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The statement of net assets includes and recognizes all long-term compensated absence liabilities. The statement of net assets would also recognize all long-term assets; however, these assets have been funded through operating transfers to the General Fund from the City of Romulus and have, therefore, been capitalized by the City of Romulus.

Note I - Summary of Significant Accounting Policies (Continued)

The statement of activities includes expenditures for employee compensated absences.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the full accrual financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Court has elected not to follow public sector standards issued after November 30, 1989 for its full accrual activities.

Modified Accrual Financial Statements

The Court's modified accrual financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which is described below.

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay finance expenditures of the fiscal period. For this purpose, the Court considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Court.

The accounts of the Court are organized on the basis of funds, each of which is considered a separate accounting entity. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad categories as follows:

Note I - Summary of Significant Accounting Policies (Continued)

Governmental Fund

General Fund - The General Fund contains the records of the ordinary activities of the Court that are not accounted for in another fund. The General Fund includes the general operating expenditures of the Court, which consist mainly of salaries and fringe benefits for Court employees. Revenue is derived primarily from fines and costs payable to the City of Romulus. The City of Romulus approves the Court's annual General Fund operating budget. The Court periodically withdraws funds from the Depository Fund that otherwise would be due to the City of Romulus to operate the Court's General Fund. Excess revenue at year end is payable to the City of Romulus.

Fiduciary Funds

Agency Funds - Agency Funds are used to account for assets held by the Court as an agent for individuals, organizations, other governments, or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Court uses the following Agency Funds:

Depository Fund - This fund accounts for the receipt of fines and costs associated with criminal and ordinance violations for the five participating local units of government, the State of Michigan, the County of Wayne, and other third parties. The Court then distributes to the participating local units of government, the State of Michigan, and the County of Wayne, their share of fines and costs collected. The Court withdraws from the Depository Fund fines and costs that would otherwise be payable to the City of Romulus to operate the Court's General Fund.

Bond Fund - This fund receives and holds bond monies from defendants as a promise to appear on an appointed court date. After the court date, the monies are applied to fines and costs, bond costs, forfeitures, and refunds, as appropriate.

Financial Statement Amounts

Cash and Cash Equivalents - The Court has defined cash and cash equivalents to include cash on hand and all highly liquid investments purchased with an original maturity of three months or less when acquired.

Note 1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Reconciliation of the Court as a Whole and the Individual Fund Financial Statements

The governmental fund balance sheet and statement of revenue and expenditures and changes in fund balance of the Court's General Fund differs from the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current focus of the General Fund balance sheet and statement of revenue, expenditures, and change in fund balance.

The statement of net assets includes the compensated absence liability of the Court employees and the statement of activities includes the expense related to this liability. As the City of Romulus ultimately subsidizes the Court's General Fund operations, a corresponding receivable and operating transfer has been recorded in the statement of net assets and statement of activities for these additional fringe benefits.

Note 3 - Cash and Cash Equivalents

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Court has designated one bank for the deposit of its funds. The Court's deposits and investment policies are in accordance with statutory authority.

Michigan 34th District Court

Notes to Financial Statements June 30, 2004

Note 3 - Cash and Cash Equivalents (Continued)

The Court's cash and cash and investments at June 30, 2004 are composed of the following:

	Governmental		
	Activities	Fiduciary Funds	Total
Deposits	\$ 37,284	\$ (175,089)	\$ (137,805)
Bank investment pools	-	887,568	887,568
Petty cash	551	-	551
Total	<u>\$ 37,835</u>	<u>\$ 712,479</u>	<u>\$ 750,314</u>

Deposits

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$181,390. Of that amount, approximately \$100,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Court believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Court evaluates each financial institution with which it deposits Court funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The Court's fiduciary cash is maintained in an investment sweep account with an associated checking account. Cash is transferred to the checking account from the investment sweep account as checks clear. As a result of outstanding checks at June 30, 2004, the above deposits balance is negative as funds have yet to be transferred from the investment account.

Investments

The Court's investments are comprised of bank investment pools that are regulated by the Michigan Banking Act, and the fair value of the position in the pool is the same as the value of the pool shares. Investments are normally categorized to give an indication of the level of risk assumed by the Court; however, bank investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form.

Michigan 34th District Court

Notes to Financial Statements June 30, 2004

Note 4 - Interfund Receivables

The following are the interfund receivables at June 30, 2004:

Fund Due To	Fund Due From	Amount
General Fund	Depository Fund	\$ 20,052

Note 5 - Budget Information

The annual budget of the General Fund is prepared by Court management and adopted by the City Council of the City of Romulus, Michigan; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2004 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget process is initiated in January for the following fiscal year. At this time, the financial director provides the Chief Judge with the appropriate financial information. The Chief Judge then prepares the budget and submits it to the City Council shortly thereafter for formal approval.

The budget statement (budgetary comparison schedule - General Fund) is presented on the same basis of accounting used in preparing the adopted budget.

The General Fund budget has been adopted in total; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. While the City Council has adopted a General Fund budget in total, a comparison of actual results of operations to the General Fund budget is included in the financial statements at the line-item level.

Note 6 - Allocation to Local Units

The Depository Fund of the Court receives all fines, costs, and probation income. These receipts are allocated to its District Control Unit and each participating local unit on a specific identification basis, as follows:

- One-third of fines, costs, and probation income specifically identified to the City of Belleville, Huron Township, Sumpter Township, and Van Buren Township is remitted to those communities. The remaining two-thirds is retained by this fund.

Note 6 - Allocation to Local Units (Continued)

- Fines and costs collected by the Court within 14 days from the date of infraction are returned in full to the local participating unit of government and are not subject to the two-thirds reduction described above.
- On a monthly basis, the Depository Fund transfers funds to the Court's General Fund, in an amount necessary to meet its operating budget.
- Statutory payments are remitted to the State of Michigan and Wayne County; remaining assets are remitted to the District Control Unit, City of Romulus.

Note 7 - Postemployment Benefits

The Court provides health care and dental benefits to employees upon retirement, in accordance with labor contracts. Currently, six retirees are eligible. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$43,000.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

Note 8 - Risk Management

The Court is exposed to various risks of loss pertaining to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Court has purchased commercial insurance for these claims. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9 - Defined Contribution Retirement Plan

The Court provides pension benefits for all its salaried and clerical employees through a multiemployer defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to join the plan upon reaching age 18 and having 120 working days of service. As established by labor contracts, the plan requires the Court to make contributions totaling 10 percent of employees' base earnings (no overtime). Employees may make voluntary contributions up to a maximum of 10 percent of their annual compensation during each of these years. Full vesting takes place after 20 months of service for all contributions and related account earnings. In accordance with these requirements, the Court contributed approximately \$139,000 and employee elective contributions were approximately \$2,400 during the year.

Required Supplemental Information

Michigan 34th District Court

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2004

	Budget	Actual	Favorable (Unfavorable) Variances with Amended Budget
Revenue			
Operating transfer from the City of Romulus	\$ 2,670,000	\$ 2,670,000	\$ -
Other revenue	231,102	162,890	(68,212)
Total revenue	2,901,102	2,832,890	(68,212)
Expenditures			
Salaries and wages	1,643,002	1,708,411	(65,409)
Fringe benefits	632,000	632,006	(6)
Attorney fees	50,000	46,525	3,475
Professional fees and contractual services	129,500	100,959	28,541
Education and training	10,000	11,440	(1,440)
Dues, fees, and subscriptions	26,000	48,587	(22,587)
Building insurance, maintenance, and utilities	143,000	51,618	91,382
Equipment lease and maintenance	34,000	18,944	15,056
Furniture and equipment	7,500	6,359	1,141
Jury and witness fees	15,000	8,339	6,661
Reference material	15,000	6,652	8,348
Work program	12,100	2,390	9,710
Printing	40,000	27,120	12,880
Computer equipment and software	40,000	32,514	7,486
Supplies	30,000	35,710	(5,710)
Telephone	25,000	27,187	(2,187)
Travel	1,000	203	797
Reinstated bond	10,000	3,550	6,450
Postage	38,000	28,427	9,573
Total expenditures	2,901,102	2,796,941	104,161
Excess of Revenue Over Expenditures - Before transfer to the City of Romulus	-	35,949	(35,949)
Transfer to the City of Romulus	-	(35,949)	35,949
Excess of Revenue Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Other Supplemental Information

Michigan 34th District Court

Combining Statement of Changes in Assets and Liabilities Agency Funds Year Ended June 30, 2004

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<u>Depository Fund</u>				
Assets - Cash and cash equivalents	\$ 577,614	\$ 6,728,848	\$ 6,691,634	\$ 614,828
Liabilities				
Due to General Fund	\$ 7,829	\$ 2,914,363	\$ 2,902,140	\$ 20,052
Due to other local governmental units	382,501	1,838,007	1,828,013	392,495
Due to State of Michigan	104,966	1,328,340	1,307,484	125,822
Due to Wayne County	59,306	759,653	748,059	70,900
Due to others	23,012	114,974	132,427	5,559
Total liabilities	\$ 577,614	\$ 6,955,337	\$ 6,918,123	\$ 614,828
<u>Bond Fund</u>				
Assets - Cash and cash equivalents	\$ 56,690	\$ 972,576	\$ 931,615	\$ 97,651
Liabilities				
Due to other local governmental units	\$ 1,349	\$ 868	\$ 1,348	\$ 869
Appearance bonds payable	55,341	971,707	930,266	96,782
Total liabilities	\$ 56,690	\$ 972,575	\$ 931,614	\$ 97,651

October 8, 2004

Honorable Judges of the State of Michigan
34th Judicial District Court
11131 Wayne Road
Romulus, MI 48174

Dear Judges:

We have recently completed our audit of the financial statements of the State of Michigan 34th Judicial District Court for the year ended June 30, 2004. In addition to the audit report, we offer the following comments and recommendations:

New Financial Statement Format

You will notice a very different look to the financial statements this year. Although there are many differences with this new reporting model required by Governmental Accounting Standards Board Statement Number 34 (GASB 34), the major additions are as follows:

Government-wide Financial Statements: These additional statements adjust the normal fund-based statements into a combined, full-accrual format. This allows a financial statement reader to see the Court from a longer term perspective (i.e. are today's fees covering the full cost of today's services?). These statements show long term liabilities (i.e. compensated absences) as part of the Court's financial picture.

Budget Comparison: A financial statement reader will now be able to view not only the actual revenue and expenditures of the Court as compared to the current budget, but also as compared to the original budget.

As you are aware, GASB 34 requires the Court to prepare a management discussion and analysis section of the report to provide the user of the financial statement with a written description of the Court's financial activity for the year. The Court has opted not to include this section in the report and the Court opinion letter includes an explanatory paragraph describing the exclusion.

We would be happy to discuss any questions you may have about the new statements and how to best interpret the information provided.

Honorable Judges of the State of Michigan
34th Judicial District Court

October 8, 2004

Monthly Reporting

Since the most significant part of the Court's volume is determined by violations issued by its participating local units of government, the Court may want to consider developing a monthly (and year-to-date) "flash report" that would provide the Court's management and its participating local units of government with statistics to monitor the volume of violations issued. This would assist the Court in determining the cause of budget variances and addressing concerns from the individual venues related to transmittal expectations. Such reporting would also provide Court management with another source of data to evaluate the reasonableness of financial results reported.

Internal Control Considerations

During this year's audit, we were required to adopt the Statement on Auditing Standards Number 99 (referred to as SAS 99) entitled *Consideration of Fraud in a Financial Statement Audit*. SAS 99 requires new procedures regarding the auditor's consideration of the possibility of fraud in a financial statement audit. This resulted in new and additional testing in the conduct of this year's audit. Therefore, most of the comments noted below are a result of the additional procedures applied through the implementation of SAS 99.

Authorized check signers – During the audit, we noted that there are currently ten authorized check signers for the bank accounts, with two signatures required. We recommend the Court consider reducing the number of authorized signers.

Segregation of duties - Currently, one individual is responsible for initiating and posting all journal entries. The Court may consider having another individual review the entries on a regular basis to ensure they are reasonable.

Credit card policy - During the audit, we noted several instances where receipts for credit card purchases were not consistently received from individuals after purchases were made. We recommend the Court consider implementing a policy to ensure all receipts are remitted timely to ensure credit cards are being used appropriately.

Investment and ACH policies - The Court currently does not have a formal investment policy, nor does it have a formal authorization permitting wire transfer activity. We recommend the Court consider requesting the City pass a resolution to amend their policies to include the Court.

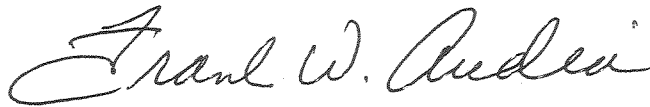
Honorable Judges of the State of Michigan
34th Judicial District Court

October 8, 2004

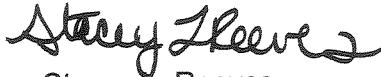
We appreciate the opportunity to serve the Court. We would like to thank the staff of the Court for their cooperation during the audit. If you have any questions regarding this letter, please feel free to contact us.

Yours truly,

PLANTE & MORAN, PLLC

A handwritten signature in cursive script that reads "Frank W. Audia".

Frank W. Audia

A handwritten signature in cursive script that reads "Stacey L. Reeves".

Stacey L. Reeves